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1985/05/03

~~CONFIDENTIAL~~ NCCONTFACT

REF: JFAC DAILY INTELLIGENCE SUMMARY 83-E5 (U)

(U) INDIVIDUAL ITEMS MAY BE FURTHER DISSEMINATED TO U.S. INTELLIGENCE USES BASED ON CLASSIFICATION AND NEED TO KNOW. REQUESTS FOR/OF/DISCLOSE ANY INFORMATION CONTAINED IN THIS SUMMARY TO A U.S. GOVERNMENT SOURCE BE FORWARDED TO COMINTAC FOR APPROVAL IN ACCORDANCE WITH CURRENT NATIONAL DISCLOSURE POLICY.

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(C/NCFCHN)

SECTION 42-CF-03

1517 ZECFC (N/ENTINTFI)

(U) IRAC COMMENT: THE XINBUA ACCOUNT (PROBABLY ACCURATE) OF AMICABLE SETTLEMENT OF THIS ACCIDENT IS NOTEWORTHY. XINBUA'S STATEMENT THAT BOTH SIDES (NOT SOLELY THE TAIWAN VESSEL) WERE AT FAULT IS NOT SURPRISING SINCE THAT APPROACH IS IN CONCERT WITH AND SUPPORTS BEIJING'S ONGOING PEACEFUL REUNIFICATION CAMPAIGN. THE JOURNAL WAS QUITE CAREFUL IN REPORTING THAT REPRESENTATIVES FROM THE TAIWAN VESSEL NEGOTIATED THE SETTLEMENT--NOT THE TAIWAN GOVERNMENT. ALTHOUGH BEIJING WOULD HAVE WELCOMED THE CHANCE FOR DIRECT CONTACT WITH TAIWAN OFFICIALS, FROM THE MAINLAND CHINESE PERSPEC-

THE SETTLEMENT OF THIS INCIDENT AT THE PEOPLE-TO-PEOPLE LEVEL
WAS AS ANOTHER CONCRETE EXAMPLE OF THE MOTHERLAND'S "GOOD FAITH"
IN CARRYING OUT ITS PEACEFUL REUNIFICATION PROPOSAL. IN RELATED
STATEMENTS, TAIWAN RECENTLY ANNOUNCED IT WOULD NOT INTERFERE WITH
TRADE TRAFFIC BETWEEN MAINLAND CHINA AND ITSELF FOR THE TIME
BEING. THIS ACKNOWLEDGEMENT AND THE CONDONING OF SUCH TRAFFIC BY
THE PRC IS REMARKABLE, AND MAY INDICATE A CERTAIN AMOUNT OF FLEXI-
BILITY IN ITS POLICY ON MAINLAND CHINA. MORE REALISTICALLY, IT
CLEARLY REPRESENTS A RECOGNITION OF THE REALITIES OF TAIWAN-PRC
UNOFFICIAL CONTACTS, WHICH ARE EXPECTED TO INCREASE IN THE NEAR
FUTURE. HOWEVER, IN THE FORESEEABLE FUTURE, THIS ANTICIPATED
INCREASE IN UNOFFICIAL CONTACTS WILL NOT FOSTER REUNIFICATION UNDER
THE CONDITIONS OF EITHER BEIJING OR TAIPEI.

(U//~~SECRET~~) CHINA/TAIWAN/U.S.: ADE CONTROVERSY UPDATE.
(U//~~SECRET~~) RECENT REPORTING INDICATES THE ANNUAL MEETING OF THE
AN INVESTMENT BANK (AIB) ENDED WITHOUT RESOLUTION OF THE
ISSUE OF CHINA'S MEMBERSHIP IN THE ORGANIZATION. THE PRIMARY
DISPUTES ON TAIWAN'S NOMENCLATURE RELATIVE TO THE ENTRY
TO THE AIB OF THE PEOPLE'S REPUBLIC OF CHINA. BEIJING CONTINUES
INSIST THAT "TAIWAN, AN ORIGINAL MEMBER OF THE BANK, CHANGE ITS
NAME TO "TAIWAN, CHINA." ACCORDING TO THE CHINESE AMBASSADOR TO
PHILIPPINES, THIS DESIGNATION WOULD BE "CONSISTENT WITH EVERY-
ONE'S ONE-CHINA POLICY, AND WAS DECIDED AT THE HIGHEST LEVEL OF THE
CHINESE GOVERNMENT." NOTWITHSTANDING, TAIPEI HAS REJECTED THIS DESIG-
NATION AND, INSTEAD, INDICATED ITS WILLINGNESS TO CONSIDER USING
"TAIWAN (TAIPEI) OR "CHINA (TAIWAN)" AS ITS NOMENCLATURE, PROVIDED
TAIWAN COULD CONTINUE TO USE THE DESIGNATION "REPUBLIC OF
CHINA" IN ADDRESSING ITS COMMUNICATIONS WITH THE AIB.

(U//FOUO) IN AN ATTEMPT TO FACILITATE THE PRC'S ENTRY INTO THE ADB (DUE TO THE CONVENING OF THE ADB'S ANNUAL MEETING), AIP PRESENTED BEIJING WITH A DRAFT MEMORANDUM OF UNDERSTANDING (MOU). THE MOU, WHICH WAS PREPARED WITH INPUT FROM CHINESE MEMBERSHIP (INCLUDING THE U.S.), RECOGNIZES THE PRC AS THE LEGAL GOVERNMENT OF CHINA AND PROVIDES ASSURANCES OF TAIWAN'S MEMBERSHIP AND PARTICIPATION IN THE ADB. IF BEIJING AGREES TO SIGN THE MOU, IT WOULD HELP SATISFY CONCERNS OF THE U.S. CONGRESS REGARDING TAIWAN'S STATUS WITHIN THE BANK. ADDITIONALLY, WASHINGTON WOULD THEN BE WILLING TO USE ITS INFLUENCE TO HELP WITH RESOLUTION OF THE MEMBERSHIP ISSUE. HOWEVER, TO DATE CHINA HAS NOT SIGNED THE MOU, BUT CONTINUES TO EXERT PRESSURE WASHINGTON NOT USE ITS INFLUENCE WITH TAIWAN.

(U//~~FOUO~~) IN VIEW OF THE FACT THAT CHINA PERCEIVES THE U.S. AS
"TIE" TO THE SUCCESSFUL (CHINESE PERCEPTION) SETTLEMENT OF THE
CONTROVERSY, THIS ISSUE REPRESENTS ANOTHER CONTENTIOUS ISSUE IN
U.S.-CHINA RELATIONS. THE PRC RECOGNIZED THAT THE ISSUE OF TAIWAN'S
MEMBERSHIP IN THE AEC MUST BE RESOLVED TO ITS SATISFACTION,

2. (C)

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[REDACTED] *****

CONTRACT

(S/POTEN/KNINTI) CEINA

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PARTIAL TRANSCRIPTION FOLLOWS

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SECTION 02 OF 03

[PARAGRAPH EXCISED]

ALTHOUGH THE JIANGHUS HAVE BEEN PRODUCED AT A FAIRLY REGULAR RATE (TWO PER YEAR ON THE AVERAGE FOR THE LAST 10 YEARS, A TWO-YEAR HIATUS IN THEIR CONSTRUCTION FOR THE PLA NAVY WAS [ILLEGIBLE] AS UNITS 17 AND 18 WERE BUILT FOR THE EGYPTIAN NAVY. CONSTRUCTION OF THESE ADDITIONAL JIANGHU FRIGATES FOR THE PLA NAVY WILL SUSTAIN THE FLEET AT CURRENT LEVELS IN THE NEAR TERM.
[LINE EXCISED]

PRC/TAIWAN: SHIP COLLISION INCIDENT SETTLED.

ACCORDING TO THE OFFICIAL PRC NEWS AGENCY (XINHUA), ARBITRATION RELATED TO THE ACCIDENT INVOLVING THE COLLISION OF A TAIWAN FREIGHTER AND A PRC FISHING BOAT ON 18 APR WAS SETTLED THROUGH FRIENDLY CONSULTATIONS. THE TAIWAN VESSEL DEPARTED THE MAINLAND CHINESE PORT OF XIAMEN ON THE EAST COAST (ACROSS TAIWAN) FOR ITS HOMEPORT ON 01 MAY. THE XINHUA RELEASE STATED THAT THE ACCIDENT RESULTED FROM THE FAILURE BY BOTH SIDES TO FOLLOW INTERNATIONAL REGULATIONS ON AVOIDING COLLISIONS AT SEA, AND THAT BOTH SIDES WERE RESPONSIBLE FOR THE INCIDENT. A COMPENSATION AGREEMENT WAS SIGNED BY BOTH SIDES. REPRESENTATIVES OF THE TAIWAN VESSEL NEGOTIATED THE SETTLEMENT.

IPAC COMMENT: THE XINHUA ACCOUNT (PROBABLY ACCURATE) OF THE AMICABLE SETTLEMENT OF THIS ACCIDENT IS NOTEWORTHY. XINHUA'S STATEMENT THAT BOTH SIDES (NOT SOLELY THE TAIWAN VESSEL) WERE AT FAULT IS NOT SURPRISING SINCE THAT APPROACH IS IN CONCERT WITH AND PROJECTS BEIJING'S ONGOING PEACEFUL REUNIFICATION CAMPAIGN. THE [ILLEGIBLE] WAS QUITE CAREFUL IN REPORTING THAT REPRESENTATIVES FROM THE TAIWAN VESSEL NEGOTIATED THE SETTLEMENT--NOT THE TAIWAN GOVERNMENT. ALTHOUGH BEIJING WOULD HAVE WELCOMED THE CHANCE FOR DIRECT CONTACT WITH TAIWAN OFFICIALS, FROM THE MAINLAND CHINESE PERSPEC-

TIVE, THE SETTLEMENT OF THIS INCIDENT AT THE PEOPLE-TO-PEOPLE LEVEL SERVES AS ANOTHER CONCRETE EXAMPLE OF THE MOTHERLAND'S "GOOD FAITH" IN PROFESSING ITS PEACEFUL REUNIFICATION PROPOSAL. IN RELATED DEVELOPMENTS, TAIWAN RECENTLY ANNOUNCED IT WOULD NOT INTERFERE WITH DIRECT TRADE BETWEEN MAINLAND CHINA AND ITSELF FOR THE TIME BEING. THIS ACKNOWLEDGEMENT AND THE CONDONING OF SUCH TRADE BY TAIPEI IS REMARKABLE, AND MAY INDICATE A CERTAIN AMOUNT OF FLEXIBILITY IN ITS POLICY ON MAINLAND CHINA. MORE REALISTICALLY, IT [ILLEGIBLE] REPRESENTS A RECOGNITION OF THE REALITIES OF TAIWAN-PRC UNOFFICIAL CONTACTS, WHICH ARE EXPECTED TO INCREASE IN THE NEAR [ILLEGIBLE]. HOWEVER, IN THE FORESEEABLE FUTURE, THIS ANTICIPATED INCREASE IN UNOFFICIAL CONTACTS WILL NOT FOSTER REUNIFICATION UNDER THE CONDITIONS OF EITHER BEIJING OR TAIPEI.
[LINE EXCISED]

CHINA/TAIWAN/U.S.: ADB CONTROVERSY UPDATE.

RECENT REPORTING INDICATES THE ANNUAL MEETING OF THE ASIAN DEVELOPMENT BANK (ADB) ENDED WITHOUT RESOLUTION OF THE QUESTION OF CHINA'S MEMBERSHIP IN THE ORGANIZATION. THE PRIMARY OBSTACLE CENTERS ON TAIWAN'S NOMENCLATURE RELATIVE TO THE ENTRY TO THE ADB OF THE PEOPLE'S REPUBLIC OF CHINA. BEIJING CONTINUES TO INSIST THAT TAIWAN, AN ORIGINAL MEMBER OF THE BANK, CHANGE ITS [ILLEGIBLE] TO "TAIWAN, CHINA." ACCORDING TO THE CHINESE AMBASSADOR TO THE PHILIPPINES, THIS DESIGNATION WOULD BE "CONSISTENT WITH EVERY-[ILLEGIBLE] ONE-CHINA POLICY, AND WAS DECIDED AT THE HIGHEST LEVEL OF THE CHINESE GOVERNMENT." NEVERTHELESS, TAIPEI HAS REJECTED THIS DESIGNATION AND, INSTEAD, INDICATED ITS WILLINGNESS TO CONSIDER USING CHINA (TAIPEI) OR "CHINA (TAIWAN)" AS ITS NOMENCLATURE, PROVIDED THAT TAIWAN COULD CONTINUE TO USE THE DESIGNATION "REPUBLIC OF CHINA" IN ADDRESSING ITS COMMUNICATIONS WITH THE ADB.

IN AN ATTEMPT TO FACILITATE THE PRC'S ENTRY INTO THE BANK (PRIOR TO THE CONVENING OF THE ADB'S ANNUAL MEETING), ADB [ILLEGIBLE] PRESENTED BEIJING WITH A DRAFT MEMORANDUM OF UNDERSTANDING (MOU). THE MOU, WHICH WAS PREPARED WITH INPUT FROM [ILLEGIBLE] MEMBERSHIP (INCLUDING THE U.S.), RECOGNIZES THE PRC AS THE [ILLEGIBLE] GOVERNMENT OF CHINA AND PROVIDES ASSURANCES OF TAIWAN'S [ILLEGIBLE] MEMBERSHIP AND PARTICIPATION IN THE ADB. IF BEIJING AGREES TO SIGN THE MOU, IT WOULD HELP SATISFY CONCERNS OF THE U.S. CONGRESS [ILLEGIBLE] TAIWAN'S STATUS WITHIN THE BANK. ADDITIONALLY, WASHINGTON WOULD THEN BE WILLING TO USE ITS INFLUENCE TO HELP RESOLVE RESOLUTION OF THE NOMENCLATURE ISSUE. HOWEVER, TO DATE CHINA HAS NOT SIGNED THE MOU, BUT CONTINUES TO PRESSURE WASHINGTON TO EXERT ITS INFLUENCE WITH TAIWAN.

IN VIEW OF THE FACT THAT CHINA PERCEIVES THE U.S. AS THE "KEY" TO THE SUCESSFUL (CHINESE PERCEPTION) SETTLEMENT OF THE [ILLEGIBLE] CONTROVERSY, THIS ISSUE REPRESENTS ANOTHER CONTENTIOUS ISSUE IN CHINA-U.S. RELATIONS. THE PRC RECOGNIZES THAT THE ISSUE OF TAIWAN'S [ILLEGIBLE] MEMBERSHIP IN THE ADB MUST BE RESOLVED TO ITS SATISFACTION

THEREBY ELIMINATING ANY SUGGESTION OF BEIJING'S ACCEPTANCE OF A
"TWO-CHINA" POLICY.

[LINE EXCISED]

[REMAINDER OF TEXT ON PAGE EXCISED]